

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BUTLER COUNTY)	
WATER SYSTEM, INC., BUTLER COUNTY,)	
KENTUCKY, FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO. 9916
MAJOR IMPROVEMENTS AND ADDITIONS TO)	
ITS EXISTING MUNICIPAL WATER DISTRI-)	
BUTION SYSTEM)	

O R D E R

Butler County Water System, Inc., ("Butler") filed a letter April 16, 1987, seeking authorization to construct a water line extension using contributions from applicants for service and surplus funds remaining from Case No. 9505, wherein it had been granted Commission approval for certain construction of new plant facilities, a proposed plan of financing, and proposed rates. The Commission by Order entered April 23, 1987, established this Case and incorporated the entire record of Case No. 9505 therein by reference.

The proposed construction will provide water service to about 57 new customers. Plans and specifications prepared by Alan H. Vilines, P.E., staff engineer for Butler, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

Water systems can be subject to a wide range of water usage by their customers. Basic engineering references stress the

importance of designing and constructing water systems to provide adequate and reliable service to their customers when subject to the peak demands of those customers. The evidence provided by the Engineer indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. However, the Commission is concerned that the Engineer has chosen to design Butler's water distribution to satisfy an instantaneous peak demand which is considerably less than that recommended by the vast majority of standard engineering references. The possibility exists that Butler's customers may experience low pressure conditions and water outages should peak water usage exceed the Engineer's expectations.

The Commission reminds Butler of its obligation to provide adequate and reliable service to all of its customers. Butler should monitor the adequacy of the expanded water distribution system after construction. If this monitoring indicates that the level of service is inadequate or declining, Butler must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that:

1. With appropriate system-wide monitoring of service, public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction consists of approximately 6 miles of 6-inch diameter pipelines, 57 service connections, and related appurtenances. The low bids totaled \$124,921 which will require about \$840,250 after allowances are made for fees, contingencies, other indirect costs and the construction previously approved in Case No. 9505.

3. Butler should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, Butler should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Butler should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of the Commission.

6. Butler should furnish duly verified documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. Butler's contract with its Engineer should require full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or

mechanical engineering to insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Butler should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

9. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

10. The financing plan proposed by Butler is for lawful objects within the corporate purposes of its utility operations, is necessary and appropriate for and consistent with the proper performance of services to the public and will not impair its ability to perform these services and should, therefore, be approved.

11. Butler proposes to use approximately \$150,574 in surplus funds left from Case No. 9505 and \$6,250 in additional funds from applicants for service to finance the proposed construction. The financing secured by Butler for this project will be needed to pay for the work herein approved. Butler's financing plan should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Butler be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein on the condition that service levels be monitored and corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order.

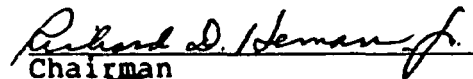
2. Butler's financing plan consisting of \$150,574 in surplus funds previously approved and \$6,250 in contributions from applicants for service be and it hereby is approved.

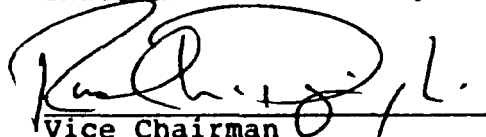
3. Butler shall comply with all matters set out in Findings 3 through 9 as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 1st day of July, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director